



DAWOOD EQUITIES LIMITED

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2014



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DAWOOD EQUITIES LIMITED

CORPORATE OBJECTIVE

Our Vision

Our vision is to be leader of “Brokerage Industry” in Pakistan with a passion to endeavor maximum business opportunities. We strive to deliver results and perform to the highest standards

Our Mission

Our mission is to become a competitive, dynamic and growing brokerage house that provides competitive services, identifies investment opportunities and develops research based data and information.



DAWOOD EQUITIES LIMITED

Company Information

Board of Directors	Abdul Aziz Habib (Chairman) Non Executive Director Mr. Abdul Qadir Sakhi (Chief Executive) Executive Director Mr. Khalid Yousuf (Non executive Director) Mr. Junaid Zakaria Dada (Independent Director) Mr. Asim Iftekhhar Yakoob (Independent Director) Ms. Rubina Khanum (Independent Director) Syed Muhammad Abbas (Non Executive Director)
Chief Financial Officer & Company Secretary	Mr. Salman Yaqoob
Audit Committee	Mr. Junaid Zikaria Dada - Chairman Mr. Asim Iftekhhar Yakoob Rubina Khanum
HR & R Committee	Syed Muhammad Abbas Junaid Zakaria Dada Abdul Aziz Habib
Auditor	Haroon Zakaria & Co.
Legal Advisor	Rauf & Ghaffar Law Associates
Bankers	Bank Al Habib Limited Habib Metropolitan Bank Limited Bank Al Falah Limited Bank Islami Pakistan Limited Burj Bank Limited Arif Habib Bank Limited MCB Bank Limited
Website	www.dawoodequities.com
Registered Head Office	1900-B Saima Trade Towers, I.I. Chundrigar Road, Karachi. Phone No. 021-32271881-1883 Fax No. 021-32275086
Registered Branch Office	Room-810, 8th Floor, KSE Building, Stock Exchange Road, Karachi. Phone No. 021-32474028 Fax No. 021-32418873 1st Floor, Chang Chamber, Saddar Bazar, Cantonment, Hyderabad. Tel: (92-22) 2783856 Fax: (92-22) 3864718
Share Registrar	F.D Registrar Services(SMC-Pvt) Ltd 1705 17th Floor, Saima Trade Tower-A, I.I. Chundrigar Road, Karachi. Phone No. 021-35478192-93 Fax. 021-32621233



DAWOOD EQUITIES LIMITED

Notice of Annual General Meeting (AGS-V)

Notice is hereby given that the AGM IX of Dawood Equities Limited will be held at its Registered Office, 1900-B, Saima Trade Towers, I. I.Chundrigar Road, Karachi on Thursday, October 30, 2014 at 08:30 a.m. to transact the following business:

Ordinary Businesses

1. To confirm the minutes of VIII Annual General Meeting held on October 23, 2013.
2. To receive, consider and adopt the Audited Financial Statements of the Company for the year ended June 30, 2014 together with Directors' and Auditors' Reports thereon.
3. To consider the appointment of Auditors for the year 2015 and to fix their remuneration.
4. Any other Business with the permission of the Chair.

By Order of the Board

**October 09, 2014
Karachi**

Salman Yaqoob
CFO & Company Secretary

Notes:

1. The share transfer books of the Company shall remain closed from October 23, 2014 to October 30, 2014 (both days inclusive). Shareholders are requested to notify to our Share Registrar FD Registrar Services (SMC-Pvt.) Ltd at 1705, 17th Floor, Saima Trade Tower A, I.I.Chundrigar Road, Karachi, if any change of address immediately.
2. A member entitled to attend and vote at this meeting may appoint a proxy to attend and vote on his/her behalf. No person other than a member shall act as proxy. Proxy forms, in order to be effective, must be received at the Registered Office, duly stamped and signed not less than 48 hours before the meeting.
3. The CDC account/sub-account holders are requested to bring with them their computerized National ID Cards (CNIC) along with Participant(s) ID number and their account numbers at the time of attending this meeting in order to facilitate identification of the respective shareholder(s). In respect of corporate entity, the Board of Directors Resolution/Power of Attorney with specimen signatures be produced at the time of meeting.



DAWOOD EQUITIES LIMITED

DIRECTORS' REPORT TO THE MEMBERS

On the behalf of Board of Directors of your company, I am pleased to present herewith Audited Financial Statements of Dawood Equities Limited (the "Company") for the financial year ended June 30, 2014, together with the Auditor's Report thereon.

NATURE OF BUSINESS

Dawood Equities Limited is a Public Limited Company listed on Karachi Stock Exchange Limited. The Company is engaged in Equity Trading, Corporate Finance and Securities Research.

ECONOMIC REVIEW

Pakistan's economy has emerged from turbulent times with significant improvement on major fronts. For the first time in 5 years, GDP growth has crossed the 4% mark, clocking in at 4.1 % in FY14 against 3.7% in FY13. Progress was made on key structural reforms - the privatization process was resumed after a gap of 8 years and two capital market transactions were completed during FY14. Moreover, the process of privatizing public sector enterprises has also been initiated on a fast track basis and financial advisors for various entities have already been appointed.

By FY14 end, the country's foreign exchange reserves reached USD 14.1 billion after touching a year low of USD 7.98 billion in Jan-14. This was made possible through substantial foreign inflows received during the period mentioned, mainly from international uni/bi lateral donors, Euro bond issuance, privatization proceeds, 3G/4G

spectrum auction proceeds, Collation Support Fund (CSF), Pakistan Development Fund (PDF) and International Monetary Fund (IMF) disbursement of three tranches under the Extended Fund Facility (EFF) program.

The Country's fiscal deficit came down substantially to 5.8% of GDP (PKR 1.65 trillion) from 8.8% of GDP (PKR 1.95 trillion) last year. This was achieved through a 27% growth in total revenues to PKR 3.6 trillion along with

restricting total expenditures growth to 8% or to PKR 3.84 trillion. For FY15, the government has budgeted a fiscal deficit of 4.9% of GDP (PKR 1.71 trillion), by a way of expanding country's tax revenue and further cutting back on subsidies, eventually curtailing total expenditure growth.

On the external front, Pakistan's current account balance posted a deficit of USD 2.92 billion (1.18% of the GDP) compared to USD 2.49 billion (1.06% of the GDP) last year. The Country's exports were up by 1 % to USD 25.2 billion in comparison to imports which grew by 3.8% to USD 41.7 billion. The main reason for better export performance pertains to better textile sector growth due to GSP status given early Dec-13, while imports were up due to higher oil import bills. In addition to this the country's remittances showed an impressive growth of 13.7% to reach USD 15.8 billion by period end. Inflationary pressures built up slightly during FY14 but have largely remained under control, CPI inflation increased by 8.6%, slightly higher than last year growth of 7.4%.

STOCK MARKET REVIEW

FY14 turned out to be yet another outstanding year for the equity market. The benchmark KSE-100 index, registered an annualized return of 41.2% from 52.2% in FY13 closing the year at 29,652 points. Average daily trading volume remained healthy increasing by 7.4% to 215.7 million, while average traded value was up by 47.7% to USD 106.7 million. The company daily average trading volume clocked at 2.38 million shares being 1.08% of market share in daily average volume in FY14. During FY14 the market saw successful subscription in Initial Public Offerings (IPOs) of Avanceon Limited, Engro Fertilizers Limited & Hascol Petroleum Limited.



DAWOOD EQUITIES LIMITED

Reasons for this robust performance can be attributed to the country's smooth democratic transition early in May-13, which when combined with the government's pro-business policies favored corporate sector profitability. In addition to this, there were some notable improvements on the macro-economic front that supported overall market upward momentum. The government's successful and timely issuance of USD 2 billion Eurobond, 3G/4G

spectrum auction, privatization of government's key equity holdings in Pakistan Petroleum Ltd (PPL) & United Bank Ltd (UBL), funds received under Pakistan Development Fund (PDF) and other donor agencies helped build up foreign exchange reserves easing up pressure over the country's external accounts along with providing much stability to PKR/USD exchange parity. KSE-100 USD based returns clocked in at 42% during FY14. Not surprisingly, Foreign Portfolio Investments (FPI) during the year registered a net inflow of USD 256.2 million up by a considerable 37% and also outperforming regional markets by 32%. Moreover, the MSCI Frontier Market Index doubled Pakistan's weightage to 8.9% from earlier 4.3%, adding four more Pakistani companies (Lucky Cement, Pakistan State Oil, K-Electric and Pakistan Tobacco) bringing a total to 12 companies.

FINANCIAL PERFORMANCE

Our financial results reflect better performance fuelled by growth in market volumes and values. The Company earned operating revenue of Rs.13.56 million as compare to Rs.7.7 million in last year. During the year under review, your Company's year end profit after tax was PKR 10.93 million as compared to PKR 4.88 million in FY13. This translates to an earnings per share of PKR 0.44 compared to PKR 0.20 in the previous year. The current assets are Rs. 161.58 million during the year as compared to Rs. 123.46 million as of June 30, 2013, where as the current liability is Rs.41.03 million as compare to Rs. 21.82 million in previous year. The summary of Financial Results is as follows:

	June 30, 2014 Rupees	June 30, 2013 Rupees	% Change
Net Revenue	13,565,521	7,723,326	75.6
Capital Gain on disposal of investments	347,496	1,757,630	(80.23)
Gain on re measurement of investments at fair value through profit & loss	53,137	2,426,430	(97.8)
Administrative Expenses	(10,017,906)	(7,222,355)	38.7
Financial Charges	(74,871)	(54,591)	37.15
Other Operating Income	9,091,369	2,031,751	347.46
Other Operating Charges	(971,832)	(1,676,923)	(42)
Profit before tax	11,994,914	4,985,268	140.6
Taxation	(1,064,585)	(103,799)	925.62
Profit after tax	10,930,329	4,881,469	123.91
Earnings per share basic and diluted	0.44	0.20	120
Average Daily Volume Traded	2,383,787	1,588,601	50.06%

STATEMENT OF COMPLIANCE

Your company has implemented provisions of the Code of Corporate Governance, since listing at Karachi Stock Exchange Limited. The external auditors has reviewed our report on the statement of compliance with the Code of Corporate Governance, there review report is annexed with this report.

STATEMENT OF CODE OF CONDUCT

The Board of Directors of Dawood Equities Limited has adopted the required Statement of Code of Conduct.



FINANCIAL PERFORMANCE

Our financial results reflect better performance fuelled by growth in market volumes and values. The Company earned operating revenue of Rs.13.56 million as compare to Rs.7.7 million in last year. During the year under review, your Company's year end profit after tax was PKR 10.93 million as compared to PKR 4.88 million in FY13. This translates to an earnings per share of PKR 0.44 compared to PKR 0.20 in the previous year. The current assets are Rs. 161.58 million during the year as compared to Rs. 123.46 million as of June 30, 2013, where as the current liability is Rs.41.03 million as compare to Rs. 21.82 million in previous year. The summary of Financial Results is as follows:

STATEMENT OF CODE OF CONDUCT

The Board of Directors of Dawood Equities Limited has adopted the required Statement of Code of Conduct.

RELATED PARTY TRANSACTIONS

In order to comply with the requirement of listing regulations, the company presented all related party transactions before the Audit Committee and the Board for their review and approval.

HUMAN RESOURCE & REMUNERATION COMMITTEE

In compliance with the Code of Corporate Governance the Board of Directors has constituted a Human Resource & Remuneration Committee (HR&R Committee) whose members consist of three Directors appointed by the Board of Directors.

AUDIT COMMITTEE

The Audit Committee was constituted by the Board under the requirement of the Code of Corporate Governance. It comprises three independent directors appointed by the Board of Directors.

CORPORATE AND FINANCIAL REPORTING FRAMEWORK

As required by the Code of Corporate Governance we are pleased to report the following:

- a. Proper books of accounts of the Company have been maintained.
- b. The financial statements, present its fairly state of affairs, the results of its operations and cash flows and changes in equity.
- c. Appropriate accounting policies have been consistently applied in preparation of financial statements and any changes in accounting policies have been disclosed in the financial statements. The accounting estimates, wherever required are based on reasonable and prudent judgment.
- d. International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements any departure there-form has been adequately disclosed and explained.
- e. The system of internal controls is sound in design and has been effectively implemented and monitored.
- f. There are no significant doubts upon the Company's ability to continue as a going concern.
- g. There has been no material departure from the best practices of corporate governance.
- h. The Directors, Chief Executive Officer, CFO and Company Secretary, their spouses and minor children have not traded in the shares of the Company.
- i. Value of DEL Employees Provident Fund is Rs.623,093/- as at June 30, 2014.

EMPHASIS OF MATTER PARAGRAPH IN AUDITORS' REPORT

We draw attention of the users of the financial statements to the note 17.1 of the financial statements which describe uncertainty related to the outcome of the suit filed by the company against its corporate client for the recovery of Rs. 75.436 million. The ultimate outcome of the matter cannot presently be determined and provision is made to the extent that management expects will be irrecoverable. Our opinion is not qualified in respect of this matter.



DAWOOD EQUITIES LIMITED

EMPHASIS OF MATTER PARAGRAPH IN AUDITORS' REPORT

We draw attention of the users of the financial statements to the note 17.1 of the financial statements which describe uncertainty related to the outcome of the suit filed by the company against its corporate client for the recovery of Rs. 75.436 million. The ultimate outcome of the matter cannot presently be determined and provision is made to the extent that management expects will be irrecoverable. Our opinion is not qualified in respect of this matter. The Directors of your company are very optimistic about the outcome of the suit filed for recovery of Rs. 75.436 million. The legal proceeding is still not concluded, but lawyer is confident that the outcome of the case will be in favor of the company and a chance of recovery is very bright. However, 40% provision for irrecoverable debt is provided after considering the contingencies of the event.

BOARD MEETING

During the year under review, four meetings of the Board of Directors and four meetings of the Audit Committee were held. The attendance of the Board and Audit Committee members was as follows:

Name of Directors	Board Meeting	Audit Committee Meeting
Mr. Abdul Aziz Habib	4	N/A
Mr. Abdul Qadir Sakhi	4	N/A
Mr. Junaid Zakaria Dada	4	4
Ms. Rubina Khanum	4	4
Mr. Asim Iftekhhar	3	3
Mr. Muhammad Abbas	4	N/A
Mr. Muhammad Khalid	4	N/A

CORPORATE AND SECRETARIAL COMPLIANCE

The Company Secretary has furnished a Secretarial Compliance Certificate as part of the annual return filed with the registrar of Companies to certify that the secretarial and corporate requirements of the Companies Ordinance, 1984, Memorandum and Articles of Association of the Company and the listing regulations have been duly complied with.

PATTERN OF SHARE HOLDING

The detailed pattern of shareholding and categories of shareholders of the Company as at June 30, 2014, as required under the listing regulations, has been appended to the Annual Report on Page No.10 to12.

CASUAL VACANCY

No casual vacancy has occurred and filled up during the year.

FUTURE OUTLOOK

The future prospects of Your Company looks positive on account of growing market volumes with our increasing market share. We are targeting to generate better volumes from our existing local clients on account of our increasing relationship with local fund managers and broker dealers. We are confident that our team has the capacity to contribute to improving our market share by leveraging our strengths. We are also eyeing increased activity on account of new equity and debt listings and secondary public offerings of major government held companies for which our Corporate Finance department is well poised. We are confident that the investment portfolio will keep delivering better results going forward as the market is still offering opportunities. We are also making strides to provide excellent research services to our local and international clients to improve our business and reflect our brand's strong performance and recognition. The company's focus in the near future will be to further enhance the market share of its brokerage business through expanded branch network and higher sales volume through online trading and also diversify its services in other market segments in order to strengthen its revenue resources.



AUDITORS

Haroon Zakaria & Company, Chartered Accountants, have completed their assignment and retired. Being eligible, they offered themselves for reappointment, based on the recommendation of the Audit Committee; the Board further recommends the reappointment of Haroon Zakaria & Company Chartered Accountants as Dawood Equities Limited auditors for the financial year ending on June 30, 2015.

ACKNOWLEDGEMENT

We are grateful to the Company's stakeholders for their continuing confidence and patronage. We record our appreciation to our clients, stakeholders, the State Bank of Pakistan, the Securities & Exchange Commission of Pakistan, Central Depository Company of Pakistan and the managements of Karachi Stock Exchange for their continuing support and guidance.

Abdul Qadir Sakhi
Chief Executive

Karachi: September 24, 2014.



DAWOOD EQUITIES LIMITED

**Pattern Of Share Holding - Form "34"
Shareholders Statistics As At June 30, 2014**

Number Of Share Holders	From	Share Holding To	Total Shares Held
90	1	- 100	1,980
2594	101	- 500	1,288,432
436	501	- 1,000	431,977
495	1,001	- 5,000	1,305,258
118	5,001	- 10,000	900,404
35	10,001	- 15,000	454,681
21	15,001	- 20,000	391,210
18	20,001	- 25,000	410,778
8	25,001	- 30,000	223,545
5	30,001	- 35,000	166,000
9	35,001	- 40,000	341,158
4	40,001	- 45,000	174,701
4	45,001	- 50,000	195,751
2	50,001	- 55,000	104,758
2	55,001	- 60,000	117,500
3	60,001	- 65,000	191,000
1	65,001	- 70,000	70,000
1	75,001	- 80,000	76,689
2	80,001	- 85,000	166,846
1	85,001	- 90,000	86,330
4	95,001	- 100,000	400,000
1	100,001	- 105,000	100,500
1	120,001	- 125,000	123,500
2	155,001	- 160,000	318,350
1	160,001	- 165,000	161,500
1	195,001	- 200,000	200,000
1	220,001	- 225,000	220,933
3	225,001	- 230,000	690,000
1	245,001	- 250,000	250,000
1	485,001	- 490,000	490,000
1	495,001	- 500,000	500,000
1	550,001	- 555,000	551,000



DAWOOD EQUITIES LIMITED

**Pattern Of Share Holding - Form "34"
Shareholders Statistics As At June 30, 2014**

Number Of Share Holders	Share Holding		Total Shares Held
	From	To	
1	565,001	- 570,000	568,130
1	595,001	- 600,000	600,000
1	635,001	- 640,000	637,700
1	800,001	- 805,000	803,389
1	995,001	- 1,000,000	998,000
1	2,160,001	- 2,165,000	2,164,000
1	2,470,001	- 2,475,000	2,475,000
1	2,495,001	- 2,500,000	2,499,000
1	3,145,001	- 3,150,000	3,150,000
3,876			25,000,000

S. No.	Categories Of Shareholders	Number Of Share Holders	Total Shares Held	Percentage
1	Individuals	3,850	14,592,374	58.37
2	Financial Institutions	3	3,834,000	15.34
3	Investment Companies	4	741,000	2.96
4	Joint Stock Companies	16	2,333,979	9.34
5	Modaraba	1	2,499,000	10.00
6	Insurance Companies	1	1,647	0.01
7	Mutual Fund	1	998,000	3.99
		3,876	25,000,000	100.00



DAWOOD EQUITIES LIMITED

**Details of Pattern of Share holding as Per requirements of
Code of Corporate Governance as on June 30, 2014**

S. No.	Categories of Shareholders	Number of Shareholders	Number of Shares held	Category wise No. of Shares	%
1	Associated Companies		Nil		
2	NIT / ICP		Nil		
3	Names of Directors, CEO their Spouses and Minor Children	7		2,601	0.01
	Mr. Abdul Qadir Sakhi		1		
	Mr. Aziz Habib		1		
	Mr. Junaid Zakaria Dada		1		
	Mr. Asim Ifkikhar		500		
	Mrs. Rubina Khanum		1,000		
	Mr. Khalid Younus		599		
	Mr. Muhammd Abbas		500		
4	Executive		Nil		
5	Public Sector Companies & Corporations	1		1,647	0.01
6	Banks, DFIs, NBFIs, Modarabas, Insurance Companies, Mutual Funds & Others	25		10,405,979	41.62

Shareholders holding Shares 5% or more

Total Paid up Capital	25,000,000	Shares	
		Holding	%
The Bank of Khyber		3,750,000	15.00
B.R.R. Guardian Modaraba		2,499,000	10.00
Muhammad Ayub		2,475,000	9.90
NCC - Pre Settlement Delivery Account		2,164,000	8.66



DAWOOD EQUITIES LIMITED

Financial Highlights

FINANCIAL HIGHLIGHTS

Financial Year ending June30,	2,014	2,013	2,012	2,011	2,010	2,009
Operating Results						
Operating Revenue	13,567,521	7,723,326	3,615,580	4,263,149	7,547,411	20,684,580
Capital (Loss) Gain on disposal investment-net	347,496	1,757,630	(72,825)	1,923,139	3,470,467	(59,315,145)
Loss/Gain on remeasurement of investments carried at fair value of through profit and loss.	53,137	2,426,430	(1,520,861)	(996,440)	(4,733,980)	(32,083,521)
Administrative Expenses	10,017,906	7,222,355	7,281,577	10,842,782	11,091,206	36,578,362
Financial Charges	74,871	(54,591)	(58,827)	(43,441)	370,940	19,340,080
Other Operating Income	9,091,369	569,110	9,141,707	514,461	623,639	573,580
Other Charges	(971,832)	(214,282)	(21,946,809)	(44,666,936)	(40,524,648)	.
(Loss)/Profit before taxation	11,994,914	4,985,26,	(18,123,612)	(49,848,850)	(45,079,077)	(126,058,948)
Taxation	(1,064,585)	(103,799)	(243,398)	(246,431)	(619,602)	502,519
(Loss)/Gain after taxation	10,930,329	4,881,469	(18,367,010)	(50,095,281)	(45,698,679)	(126,561,467)
EPS	0.44	0.20	(0.73)	(2.00)	(2.00)	(5.00)
Pay outs						
Dividend						
Bonus%						
Capital & Reserve	300,000,00	300,000,000	300,000,000	300,000,00	300,000,000	300,000,000
Authorised Share Capital	249,965,000	249,965,000	249,965,000	249,965,000	249,965,000	249,965,000
Issued, subscribed and paid-up Capital	(74,208,234)	(88,876,211)	(93,757,680)	(75,390,670)	(25,295,389)	20,403,290
Reserves						
Share Application Money						
Assets & Liabilities	216,794,729	182,916,871	180,140,999	185,460,079	255,213,009	456,656,729
Total Assets	161,576,802	123,463,791	120,357,486	125,138,452	139,924,970	358,601,378
Current Assets	41,037,963	21,828,082	23,933,679	10,885,749	12,801,173	186,236,617
Current Liabilities						



DAWOOD EQUITIES LIMITED

Statement of Compliance with the Code of Corporate Governance

Name of Company: Dawood Equities Limited

Year Ended: June 30, 2014

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in Regulation No. 35 of Chapter XI listing regulation of Karachi Stock Exchange Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the CCG in the following manner:

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on the Board of Directors. At present the Board includes:

Category	Names
Executive Directors	Mr. Abdul Qadir Sakhi
Non-Executive Directors	Mr. Abdul Aziz Habib Mr. Khalid Rafique
Independent Directors	Mr. Junaid Zakaria Dada Mr. Asim Iftikhar Yaqub Mr. Rubina Khanum

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Company.
3. All the resident directors of the Company are registered tax payers and none of them has defaulted in payment of any loan to a banking company, a Development Finance Institution (DFI) or a Non-Banking Finance Institution (NBFI) or, being a member of a stock exchange, has been declared as defaulter by that stock exchange.
4. No casual vacancy has occurred during the period ended June 30, 2014.
5. The company has developed "Code of Conduct" and appropriate steps are taken to disseminate it throughout the company along with its supporting policies and procedures.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have duly executed and decisions on material transactions, including appointment and determination of remuneration and terms and conditions or employment of the CEO, other executive and non-executive directors, have been taken by the Board/Shareholders
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were appropriately recorded and circulated. The minutes of the meetings were appropriately recorded and circulated.
9. The directors at the Board are adequately trained to perform their duties and have been provided in-house presentation to acquaint them on their roles and responsibilities under the requirements of CCG. During this financial year, none of the director has attended any training program of Corporate Governance due to their busy schedule. However, Company has planned the same for the coming year.



DAWOOD EQUITIES LIMITED

10. The Board had approved appointment of CFO and Company Secretary and head of internal audit including their remuneration and terms and conditions of employment.
11. The directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the CCG.
15. The Board has formed an Audit Committee. It comprises three independent members, of whom all are non-executive directors and the Chairman of the Committee is non executives director.
16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the CCG. The terms of reference of the Committee have been framed and advised to the Committee for compliance.
17. The Board has formed an HR and Remuneration Committee. It comprises 3 members; all of them including Chairman are non-executive directors.
18. The Board has setup an effective internal audit function.
19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Association of Accountants (IFAC) guidelines on code of ethics as adopted by ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The closed period, prior to the announcement of interim/final results and business decisions, which may materially affect the market price of Company's securities, was determined and intimated to directors, employees and stock exchange
22. Material/price sensitive information has been disseminated among all participants at once through stock exchange, if any.
23. We confirm that all other material principles enshrined in the CCG have been complied with

On behalf of the Board of Directors

Abdul Qadir Sakhi
Chief Executive Officer

Karachi
Dated 24th September, 2014



DAWOOD EQUITIES LIMITED

Auditors' Reports To The Mambers

We have audited the annexed Balance Sheet of DAWOOD EQUITIES LIMITED as at June 30, 2014 and related profit and loss account, statement of other comprehensive income, statement of cash flow and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conduct our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- (a) in our opinion, proper books of accounts have been kept by the company as required by the Companies Ordinance, 1984;
- (b) in our opinion
 - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of accounts and are further in accordance with accounting policies consistently applied except changes as given in note 3.3.3 with which we concur;
 - (ii) the expenditure incurred during the year was for the purpose of the Company's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, statement of cash flow and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2014 and of the profit, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

Emphasis of matter

We draw attention of the users of the financial statements to the note 18.1 of the financial statements which describe uncertainty related to the outcome of the suit filed by the company against its corporate client for the recovery of Rs.75.436 million. The ultimate outcome of the matter cannot presently be determined and provision is made to the extent that management expects will be irrecoverable. Our opinion is not qualified in respect of this matter.



Haroon Zakaria & Company
Chartered Accountants

Engagement Partner:
Farhan Ahmed Memon

Place: Karachi
Dated: 24th Sep 2014



DAWOOD EQUITIES LIMITED

**Review Report To The Member On Statement Of Compliance
With Best Practices Of Code Of Corporate Governance**

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **DAWOOD EQUITIES LIMITED** ("the company") to comply with the relevant Listing Regulation of Karachi Stock Exchange where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited ordinarily to inquiries of the Company's personnel and reviews various documents prepared by the Company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal control covers all risks and control, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

Further, Sub-Regulation (x) of Listing Regulation No. 35 notified by The Karachi Stock Exchange Limited requires the Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanisms. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance with the requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended June 30, 2014.

We draw attention to note 9 of the annexed Statement of Compliance which highlights that none of the directors has attended any training program of Corporate Governance.

Our conclusion is not qualified in respect of this matter.

Place: Karachi
Dated: 24th September, 2014



Haroon Zakaria & Co.
Haroon Zakaria & Company
Chartered Accountants



DAWOOD EQUITIES LIMITED

**Balance Sheet
As At June 30, 2014**

	<i>Note</i>	<i>2014 Rupees</i>	<i>2013 Rupees</i>
<u>ASSETS</u>			
Non-Current Assets			
Property and equipment	4	342,779	30,580
Intangible assets	5	13,663,818	21,948,818
Long term investment	6	40,073,830	36,336,182
Long term deposits	7	1,137,500	1,137,500
Deferred taxation	8	-	-
		<u>55,217,927</u>	<u>59,453,080</u>
Current Assets			
Short term investments	9	52,860,491	49,882,302
Trade debts	10	75,725,029	63,394,016
Loan to staff		-	5,000
Trade deposits and short term prepayments	11	6,353,097	830,454
Other receivable	12	19,423,041	4,611,563
Tax refunds due from government	13	4,113,121	2,961,607
Bank balances	14	3,102,023	1,778,849
		<u>161,576,802</u>	<u>123,463,791</u>
Total Assets		<u><u>216,794,729</u></u>	<u><u>182,916,871</u></u>
<u>EQUITY AND LIABILITIES</u>			
Capital and Reserves			
Authorized Share Capital			
30,000,000 Ordinary shares of Rs.10 each		<u>300,000,000</u>	<u>300,000,000</u>
Issued, subscribed and paid up capital	15	249,965,000	249,965,000
Reserves	16	(74,208,234)	(88,876,211)
		<u>175,756,766</u>	<u>161,088,789</u>
Current Liabilities			
Trade and other payables	17	41,037,963	21,828,082
Contingencies and Commitments	18	-	-
Total Equity and Liabilities		<u><u>216,794,729</u></u>	<u><u>182,916,871</u></u>

The annexed notes from 1 to 34 form an integral part of these financial statements

Chief Executive



DAWOOD EQUITIES LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2014**

	Note	2014 Rupees	2013 Rupees
Operating revenue	19	13,567,521	7,723,326
Capital gain on disposal of investments - net	20	347,496	1,757,630
Gain on remeasurement of investments carried at fair value through profit and loss	21	<u>53,137</u>	<u>2,426,430</u>
		13,968,154	11,907,386
Administrative expenses	22	<u>(10,017,906)</u>	<u>(7,222,355)</u>
		3,950,248	4,685,031
Financial charges	23	<u>(74,871)</u>	<u>(54,591)</u>
		3,875,377	4,630,440
Other operating income	24	9,091,369	2,031,751
Other operating charges	25	<u>(971,832)</u>	<u>(1,676,923)</u>
Profit before taxation		11,994,914	4,985,268
Taxation	26	<u>(1,064,585)</u>	<u>(103,799)</u>
Profit after taxation		<u>10,930,329</u>	<u>4,881,469</u>
Earning per share - Basic and diluted	27	<u>0.44</u>	<u>0.20</u>

The annexed notes from 1 to 34 form an integral part of these financial statements

Chief Executive

Director



DAWOOD EQUITIES LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2014**

	<i>2014 Rupees</i>	<i>2013 Rupees</i>
Profit for the year	10,930,329	4,881,469
Other comprehensive income	3,737,648	-
Total comprehensive income for the year	<u>14,667,977</u>	<u>4,881,469</u>

The annexed notes from 1 to 34 form an integral part of these financial statements

Chief Executive

Director



DAWOOD EQUITIES LIMITED

**STATEMENT OF CASH FLOW.
FOR THE YEAR ENDED JUNE 30, 2014**

	2014 Rupees	2013 Rupees
A. CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	11,994,914	4,985,268
Adjustment for non cash items:		
Depreciation	148,034	73,793
(Gain) / loss on remeasurement of investment	(53,137)	(2,426,430)
Capital (gain) / loss on disposal of investment	(347,496)	(1,757,630)
Dividend income	(1,099,154)	(397,299)
Amortization on intangible assets	260,000	290,000
(Reversal) / provision for doubtful debts	(1,799,600)	(1,462,641)
Gain on sale of vehicle	(284,933)	-
Gain on sale of KSE office	(4,581,550)	-
Provision for bad debt	508,232	-
Arrived income write-off	-	1,241,423
Financial charges	74,871	54,591
	<u>4,820,181</u>	<u>601,075</u>
(Increase) / decrease in current assets		
Trade debts	(10,531,413)	(5,925,895)
Loan to staff	5,000	-
Other receivables	(2,713,160)	(1,956,474)
Trade deposits and short term prepayments	(5,522,643)	(296,651)
	<u>(18,762,216)</u>	<u>(8,179,020)</u>
(Decrease) in current liabilities		
Trade and other payables	19,209,881	(2,105,597)
	<u>5,267,846</u>	<u>(9,683,542)</u>
Taxes paid	(2,216,099)	(121,029)
Financial charges paid	(74,871)	(54,591)
	<u>(2,290,970)</u>	<u>(175,620)</u>
Net cash used in operating activities	<u>2,976,876</u>	<u>(9,859,162)</u>
B. CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(1,425,300)	(33,360)
Proceeds from sale of property and equipment	1,250,000	-
Disposal of investments - net	(2,577,556)	1,717,895
Dividend received	1,099,154	397,299
Net cash generated from investing activities	<u>(1,653,702)</u>	<u>2,081,834</u>
Net increase / (decrease) in cash and cash equivalents (A+B)	1,323,174	(7,777,328)
Cash and cash equivalents at the beginning of the period	1,778,849	9,556,177
Cash and cash equivalents at the end of the period	<u>3,102,023</u>	<u>1,778,849</u>

The annexed notes from 1 to 34 form an integral part of these financial statements

Chief Executive

Director



DAWOOD EQUITIES LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2014**

	Issued, subscribed and paid up capital	Reserves			Total	Total Equity
		Capital	Revenue			
		Gain/(loss) on remeasurement of AFS investment	Share premium	Accumulated (loss) / profit		
----- Rupees -----						
Balance as at June 30, 2012	249,965,000	-	74,973,750	(168,731,430)	(93,757,680)	156,207,320
Total comprehensive income for the year	-	-	-	4,881,469	4,881,469	4,881,469
Balance as at June 30, 2013	249,965,000	-	74,973,750	(163,849,961)	(88,876,211)	161,088,789
Total comprehensive income for the year						
Profit for the year	-	-	-	10,930,329	10,930,329	10,930,329
Gain on re-measurement of investment available for sale at par value	-	3,737,648	-	-	3,737,648	3,737,648
Total comprehensive income for the year					14,667,977	
Balance as at June 30, 2014	249,965,000	3,737,648	74,973,750	(152,919,632)	(74,208,234)	175,756,766

The annexed notes from 1 to 34 form an integral part of these financial statements

Chief Executive

Director



DAWOOD EQUITIES LIMITED

**NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED JUNE 30,2014**

1 CORPORATE INFORMATION, OPERATIONS AND LEGAL STATUS

Dawood Equities Limited (the Company) was incorporated in Pakistan as an unquoted public limited company on May 3, 2006 under the Companies Ordinance, 1984. The Company commenced commercial operations from October 03, 2006. Subsequently the Company obtained listing on the Karachi Stock Exchange (Guarantee) Limited on April 14, 2008. The registered office of the Company is situated at 1900-B, Saima Trade Towers, I.I. Chundrigar Road, Karachi. The Company's principal business is trading and brokerage of listed equities, underwriting and other investments.

2 BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards, as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 shall prevail.

2.2 Basis of Measurement

These financial statements have been prepared under the historical cost convention, except as otherwise mentioned in these financial statements. Further, accrual basis of accounting is followed except for cash flow information.

2.3 Functional and presentation currency

These financial statements are presented in Pak Rupees, which is the functional and presentation currency of the Company and rounded off to the nearest rupee.

2.4 Use of estimates and judgments

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on amounts recognized in the financial statements are described as follows: -



Property and equipment

The Company's management determines the estimated useful lives and related depreciation charge for its property and equipment. This also includes estimating the residual values and depreciable lives. Further, the Company reviews the value of the assets for possible impairment on an annual basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of property and equipments with a corresponding affect on the depreciation charge and impairment.

Income Taxes

In making the estimates for income taxes currently payable by the Company, the management looks at the current income tax law and the decisions of appellate authorities on certain issues in the past.

Intangible Assets

The Company reviews the rate of amortization and value of intangible assets for possible impairment on an annual basis. Any change in the estimates in future years might affect the carrying amounts of intangible assets with a corresponding affect on the amortization charge and impairment.

Investments stated at Fair Value

The Company has determined fair value of certain investments by using quotations from active market. Fair value estimates are made at a specific point of time based on market conditions and information about the financial instruments. These estimates are subjective in nature and involve uncertainties and matter of judgments (e.g. valuation, interest rates, etc.) and therefore, can not be determined with precision.

Trade and Other Receivables

The Company reviews its debtors portfolio regularly to assess amount of any provision required against such trade debtors. Provisions are made after adjustment of liquid securities available.

2.5 Standards, amendments and interpretations which became effective during the year

During the year certain amendments to Standards and new interpretations became effective however they did not have any material effect on the financial statements of the Company.

2.6 New / revised accounting standards, amendments to published accounting standards, and interpretations that are not yet effective

The following standards, amendments and interpretations of approved accounting standards are only effective for annual periods beginning from the dates specified below. These standards are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements, other than increased disclosures in certain cases:

Standards or interpretation	(effective for annual periods beginning on or after)
IAS 16 &38 Clarification of Acceptable Method of Depreciation and Amortization	January 01, 2016
IAS 16 &40 Agriculture: Bearer Plants	January 01, 2016/July 01,2014
IAS 19 Employee Contributions	January 01, 2014



DAWOOD EQUITIES LIMITED

Standards or interpretation		(effective for annual periods beginning on or after)
IAS 32	Offsetting Financial Assets and Financial liabilities	January 01, 2014
IAS 36	Recoverable amount of Non- Financial Assets- (Amendments)	January 01, 2014
IAS 39	Novation of Derivatives and Continuation of hedge Accounting - (Amendment)	January 01, 2014
IFRIC 21	Levies	January 01, 2014

The Company expects that the adoption of the above amendments and interpretation of the standards will not affect the Company's financial statements in the period of initial application.

Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan:

Standards or interpretation		(effective for annual periods beginning on or after)
IFRS 9	Financial Instruments: Classification and Measurement	January 01, 2018
IFRS 10	Consolidated Financial Statements	January 01, 2013
IFRS 11	Joint Arrangement	January 01, 2013
IFRS 12	Disclosure Of Interest In Other Entities	January 01, 2013
IFRS 13	Fair Value Arrangement	January 01, 2013
IFRS 14	Regulatory Deferral Accounts	January 01, 2016
IFRS 15	Revenue from Contracts with Customers	January 01, 2017

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

3.1 Property and Equipment

These are initially recognized at cost. Subsequent to initial recognition these are measured at cost less accumulated depreciation and impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset.

Depreciation is calculated on straight line basis over the estimated useful life of the assets. Depreciation on additions is charged from the month in which they are available for use and on deletions up to the month of deletion. The estimated useful lives for the current and comparative periods are mentioned in note 4.



Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the entity and its cost can be reliably measured. Cost incurred to replace an item of property and equipment is capitalized and the asset so replaced is retired from use and its carrying amount is derecognized. Normal repairs and maintenance are charged to the profit and loss account during the period in which they are incurred.

The residual values and useful lives of assets are reviewed and adjusted, if impact on depreciation is significant. The company's estimate of residual values of property and equipment as at June 30, 2012 has not required any adjustment as its impact is considered insignificant.

Gains and losses on disposal of assets, if any, are taken to profit and loss account.

3.2 Intangible Assets

An intangible asset is recognized as an asset if it is probable that future economic benefits attributable to the asset will flow to the entity and the cost of such asset can be measured reliably.

Trading Rights Entitlement Certificates

Trading Rights Entitlement Certificates are measured in a manner as specified in note 3.3.3.

Software

Costs directly associated with identifiable software products that will have probable economic benefits exceeding costs beyond one year are recognized as an intangible asset. Direct costs include the purchase costs of software and other directly attributable costs of preparing the software for its intended use.

This is initially stated at cost and subsequently carried at cost less accumulated amortization and accumulated impairment losses, if any. Amortization is charged applying straight line method over estimated useful life of the software.

3.3 Investments

All investments are initially recognized at fair value, being the cost of the consideration given including transaction cost associated with the investment, except in case of held for trading investments, in which case the transaction costs are charged off to the profit and loss account.

All purchases and sales of securities that require delivery within the time frame established by regulation or market convention such as 'T+2' purchases and sales are recognized at the trade date. Trade date is the date on which the Company commits to purchase or sale an asset.

The management determines the appropriate classification of the investment made by the Company in accordance with the requirements of International Accounting Standards (IAS) 39: 'Financial Instruments: Recognition and Measurement' at the time of purchase.

The Company classifies its investments in the following categories: -

3.3.1 Financial assets 'at fair value through profit or loss - held for trading'

Financial assets that are acquired principally for the purpose of generating profit from short term fluctuations in market price, interest rate movements or are financial assets included in a portfolio in which pattern of short-term profit taking exists.



A non-derivative financial asset is classified as at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Investments are designated at fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair value. Upon initial recognition, attributable transaction cost are recognized in profit or loss when incurred. Investments at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss.

3.3.2 Available for sale

Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in market prices, are classified as 'available for sale'.

'Available for sale' financial assets are marked to market using the closing market rates and are carried on the balance sheet at fair value. Net gains and losses arising on changes in fair value of these financial assets are recognized in other comprehensive income, until the available for sale financial assets are derecognized. At this time, the cumulative gain or loss previously recognized directly in other comprehensive income is reclassified from other comprehensive income to profit or loss as a reclassification adjustment.

3.3.3 Shares of Karachi Stock Exchange Limited

Membership card is surrendered by the Company in lieu of shares of KSEL and TREC. Such shares are treated as investment available for sale and valued by apportioning the value of previous membership card. Value of previous membership card is apportioned in the ratio in which base minimum capital is allocated to shares and TREC. Subsequent to initial recognition these are valued at par value of the shares.

3.4 Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Loan and receivables are carried at amortized cost using the effective interest method.

All financial assets are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. Regular purchases and sales of investments are recognized on trade date-the date on which the Company commits to purchase or sales the assets. Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognized when the right to receive the cash flows from the assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownerships.

The Company assesses to each balance sheet date whether there is objective evidence that a financial asset at a group of financial assets in impaired.

3.5 Trade debts and other receivables

Trade debts and other receivables are recognized at fair value and subsequently measured at amortized cost. A provision for impairment in trade and other receivables is made when there is an objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. Trade debts and other receivables considered irrecoverable are written off.



3.6 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of the cash flow statement, cash and cash equivalents comprises cash and bank balances and short term investments having maturity Upto three months net of short term borrowings which are repayable on demand.

3.7 Trade and other payables

Trade and other payables are recognized initially at fair value plus directly attributable cost, if any, and subsequently measured at amortized cost.

3.8 Borrowing Cost

Borrowing costs are interest or other auxiliary costs incurred by the Company in connection with borrowing of funds and is treated as periodic cost and charged to profit and loss account.

3.9 Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognized in the profit and loss account, except to the extent that it relates to items recognized directly in equity or below equity, in which case it is recognized in equity or below equity respectively.

Current

Provision for taxation is determined in accordance with the provisions of Income Tax Ordinance, 2001.

Deferred

Deferred tax is provided in full using the balance sheet liability method, on temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

3.10 Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

3.11 Impairment

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.



Non-Financial assets

The carrying amounts of non-financial assets are assessed at each reporting date to ascertain whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. An impairment loss is recognized, as an expense in the profit and loss account, for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. Value in use is ascertained through discounting of the estimated future cash flows using a discount rate that reflects current market assessments of the time value of money and the risk specific to the assets. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization if no impairment loss had been recognized.

3.12 Financial instruments

Financial Instruments carried on the balance sheet date include investments, loans and advances, deposits and prepayments, trade debts and other receivables, accrued income on investments, cash and bank balances, short term borrowings, trade and other payables and accrued markup on short term finance.

Financial Assets

The Company classifies its financial assets in held to maturity, held for trading and loans and receivables categories. The classification depends on the purpose for which assets are acquired. Management determines the classification of its financial assets at initial recognition.

Financial Liabilities

All financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instruments. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired.

3.13 Offsetting of financial assets and financial liabilities

Financial assets and liabilities are off-set and the net amount is reported in the financial statements only when the Company has a legally enforceable right to off-set the recognized amounts and the Company intends either to settle on a net basis or to realize the assets and settle the liability simultaneously.

3.14 Revenue recognition

Brokerage, commission and other income are recognized as and when services have been provided. Capital gains and losses on sale of marketable securities are recorded on the date of sale.

Dividend income on equity investments is recognized, when the right to receive the same is established. Unrealized Capital gains / (losses) arising from marking investment to the market value of investments classified as 'financial assets at fair value through profit or loss - held for trading' are included in profit and loss account in the period in which they arise.

Income on placement of funds is recognized on accrual basis.

Income from Custody / Laga / NCSS Fees is recognized on occurrence of transactions.



3.15 Transactions with related parties

Transactions with related parties are carried out at arm's length using the methods prescribed in the Companies Ordinance, 1984.

3.16 Earnings per share

Earnings per share is calculated by dividing the profit after tax for the year by the weighted average number of shares outstanding during the year.

3.17 Dividend distributions and appropriations

Dividend distributions and appropriations are recorded in the period in which the distributions and appropriations are approved.

4 PROPERTY AND EQUIPMENT

<i>Particulars</i>	<i>Owned Assets</i>			<i>Total</i>
	<i>Computers</i>	<i>Office equipment</i>	<i>Motor vehicle</i>	
	----- Rupees -----			
<u>Year ended June 30, 2014</u>				
Opening net book value	30,580	-	-	30,580
Additions	107,400	22,900	1,295,000	1,425,300
Disposals				
Cost	-	-	(1,368,100)	(1,368,100)
Depreciation	-	-	403,033	403,033
Net book value	-	-	(965,067)	(965,067)
Depreciation charge	(28,256)	(2,995)	(116,783)	(148,034)
Closing net book value	109,724	19,905	213,150	342,779
As at June 30, 2014				
Cost	1,387,987	620,587	400,000	2,408,574
Accumulated depreciation	(1,278,263)	(600,682)	(186,850)	(2,065,795)
	109,724	19,905	213,150	342,779



DAWOOD EQUITIES LIMITED

4.1 The following assets were disposed off during the year:

<i>Particulars</i>	<i>Cost</i>	<i>Accumulate depreciation</i>	<i>Written Down Value</i>	<i>Sales Proceed</i>	<i>Gain on disposal</i>	<i>Mode of disposal</i>	<i>Particulars of buyers</i>
800 CC Mehran-AMX O81	334,100	334,100	-	250,000	250,000	Salary adjustment	M. Nabeel
Cultus - SFE410 VXR	1,034,000	68,933	965,067	1,000,000	34,933	Bank	M. Salman
2014	1,368,100	403,033	965,067	1,250,000	284,933		
2013	-	-	-	-	-		

<i>Particulars</i>	<i>Owned Assets</i>			<i>Total</i>
	<i>Computers</i>	<i>Office equipment</i>	<i>Motor vehicle</i>	
	----- <i>Rupees</i> -----			

Year ended June 30, 2013

Opening net book value	-	71,013	-	71,013
Additions	33,360	-	-	33,360

Disposals

Cost	-	-	-	-
Depreciation	-	-	-	-

Net book value	-	-	-	-
Depreciation charge	(2,780)	(71,013)	-	(73,793)

Closing net book value	30,580	-	-	30,580
-------------------------------	---------------	----------	----------	---------------

As at June 30, 2013

Cost	1,280,587	597,687	473,100	2,351,374
Accumulated depreciation	(1,250,007)	(597,687)	(473,100)	(2,320,794)
	30,580	-	-	30,580

Depreciation rate	33%	20%	20%
-------------------	-----	-----	-----

Note **2014** **2013**
Rupees *Rupees*

5 INTANGIBLE ASSETS

Computer software	5.1	-	260,000
TREC and KSE room	5.2	13,663,818	21,688,818
		13,663,818	21,948,818



DAWOOD EQUITIES LIMITED

	Note	2014 Rupees	2013 Rupees
5.1 Computer Software			
Opening net book value		260,000	550,000
Amortization Charge		(260,000)	(290,000)
Closing net book value		-	260,000
As at June 30, 2013			
Cost		1,450,000	1,450,000
Accumulated amortization		(1,450,000)	(1,190,000)
		-	260,000
Rate of amortization (%)		20	20
5.2 TREC and KSE room			
Membership card	6.1	-	-
KSE room		-	8,025,000
Trading Rights Entitlement Certificates (TRECs)	5.2.1	13,663,818	13,663,818
		13,663,818	21,688,818

5.2.1 Pursuant to the promulgation of the stock exchange (Corporatisation, Demutualization and Integration) Act, 2012 (The Act), the ownership in a stock exchange has been segregated from the right to trade on the exchange. Accordingly, the company has received equity shares of KSE and a Trading Right Entitlement Certificates (TRECs) in lieu of its membership card of KSE.

	Note	2014 Rupees	2013 Rupees
6 LONG TERM INVESTMENTS			
Investment in shares of Karachi Stock			
Exchange Limited - available for sale	6.1	36,336,182	36,336,182
Unrealized gain on remeasurement at par value	6.2	3,737,648	-
		40,073,830	36,336,182

6.1 This represents shares of Karachi Stock Exchange Limited (KSEL) acquired in pursuance of corporatization and demutualization of KSEL as a public company limited by shares. As per the arrangements the authorized and paid-up capital of KSEL is Rs.10,000,000,000 and Rs.8,014,766,000 respectively with a par value of Rs. 10 each. The paid-up capital of KSEL is equally distributed among 200 members of KSEL by issuance of 4,007,383 shares to each member in the following manner:

1. 40% of the total shares allotted (i.e. 1,602,953 shares) are transferred in the House Account - CDC of each initial shareholder;

2. 60% of the total shares (i.e. 2,404,430 shares) have been deposited in a sub-account in Company's name under KSEL's participant ID with CDC which will remain blocked until they are divested to strategic investor(s), general public and financial institutions.



DAWOOD EQUITIES LIMITED

Right to receive distributions and sale proceed against 60% shares in the blocked account shall vest in the initial shareholder, provided that bonus and right shares (if any) shall be transferred to blocked account and disposed off with the blocked shares.

Right to vote against blocked shares shall be suspended till the time of sale. The shares of KSEL shall be listed within such time as the SECP may prescribe in consultation with the Board of Directors of KSEL.

In the absence of an active market of the shares of KSE and TREC, the allocation of the carrying value of the membership card of Rs. 50 million between the shares (financial asset) and TREC (an intangible asset) has been made by the company on the basis of similar ratio as between TREC and shares of KSEL in the base minimum capital requirement.

- 6.2** In view of dividends received from Karachi stock exchange limited(KSEL) for the period ended Jun 30, 2013 and December 31, 2013, the shares of KSEL are now carried at par value of Rs.10 per share against previous value of Rs.9.07 per share.

	2014	2014
	Rupees	Rupees
7 LONG TERM DEPOSITS		
Karachi Stock Exchange Limited	700,000	700,000
Central Depository Company Limited	137,500	137,500
National Clearing Company Pakistan Limited	300,000	300,000
	<u>1,137,500</u>	<u>1,137,500</u>

	2014	2013
	Rupees	Rupees
8 DEFERRED TAXATION		
Relating to deductible temporary difference		
Accelerated tax depreciation	(18,576)	(70,794)
Trade debts-provision for doubtful debts	(26,798,695)	(28,038,871)
Tax losses	(34,527,453)	(50,231,035)
Deferred tax asset	(61,344,724)	(78,340,699)
Deferred tax asset not recognized	<u>61,344,724</u>	<u>78,340,699</u>
	<u>-</u>	-

- 8.1** Deferred tax asset has not been recognised on the ground that uncertainty exist regarding future profits of the Company against which the asset could be utilized.



DAWOOD EQUITIES LIMITED

	<i>Note</i>	<i>2014 Rupees</i>	<i>2013 Rupees</i>
9 SHORT TERM INVESTMENTS			
In related parties - at fair value through profit & loss	9.1	1,327,133	2,247,631
In related parties - available for sale - at cost	9.2	38,195,000	38,205,000
Others - at fair value through profit & loss	9.3	13,338,358	9,429,671
		<u>52,860,491</u>	<u>49,882,302</u>

9.1 In related parties - at fair value through profit & loss

2014	2013			
--- Number of Shares ---				
567,713	567,613	Dawood Capital Management Ltd.	2,015,381	766,278
127,805	127,805	First Dawood Investment Bank Ltd.	232,605	190,429
			<u>2,247,986</u>	<u>956,707</u>
		Gain / (Loss) on remeasurement of investments	<u>(920,853)</u>	<u>1,290,924</u>
			<u>1,327,133</u>	<u>2,247,631</u>

The market value of each listed security is as follows:

Dawood Capital Management Ltd.	2	3.55
First Dawood Investment Bank Ltd.	1.5	1.82

9.2 In related parties - available for sale - at cost

2014	2013		2014 Rupees	2013 Rupees
--- Number of Shares ---				
3,819,500	3,820,500	Dawood Family Takaful Limited	<u>38,195,000</u>	<u>38,205,000</u>
			9.2.1	

9.2.1 The breakup of value of these shares based on last available audited financial statements, i.e. for the year ended December 31, 2013, of the investee Company is Rs. 6.29 (2013 : Rs.6.86) per share.

	Note	2014 Rupees	2013 Rupees
9.3 Other investments - at fair value through profit and loss			
Ordinary Shares	9.3.1	11,572,813	7,990,943
Units of mutual funds	9.3.4	1,563,197	1,438,728
Term Finance certificates (TFCs)		202,348	-
		<u>13,338,358</u>	<u>9,429,671</u>



DAWOOD EQUITIES LIMITED

9.3.1 Held for trading - Ordinary Shares

2014	2013			
--- Number of Shares ---				
8,205	2,900	Adamjee Insurance Company Limited	220,632	168,925
6,920	12,420	Arif Habib Corporation Limited	153,727	326,796
4,500	10,070	Askari Commercial Bank Limited	53,133	150,942
720	600	Attock Petroleum Limited	336,672	284,622
10,000	-	Azgard Nine Limited	63,923	-
1,171	1,171	Akzo Noble Pakistan Limited	103,288	118,248
12,000	14,500	D.G. Khan Cement Limited	1,012,960	685,300
1,000	10,000	Dost Steel Limited	6,771	54,300
105,473	104,475	Engro Polymer & Chemical Limited	1,285,663	1,029,059
9,675	9,675	Fauji Fertilizer Bin Qasim Limited	363,200	394,934
3,025	3,025	Fauji Fertilizer Company Limited	320,939	335,926
-	5,000	Fatima Fertilizer company Limited	-	128,550
1,828	2,328	ICI Pakistan Limited	260,939	386,448
1,500	1,500	Kot Addu Power Company Limited	92,820	67,500
1,000	1,000	Lucky Cement Limited	209,720	202,282
-	10,000	Maple Leaf Cement Factory Limited	-	247,000
5,175	10,175	National Bank Limited	269,164	416,180
1,535	1,535	National Refinery Limited	369,290	355,184
9,500	6,000	Nishat Mills Limited	1,050,903	285,480
220	220	Aisha Steel Limited - Preference Shares received as specie dividend	1,762	-
189,172	174,172	Lotte Chemical Pakistan Limited	1,452,071	1,224,428
15,500	-	Bank of Punjab	150,740	-
1,000	-	Berger Paints Pakistan	60,761	-
2,500	-	Dawood Hercules Limited	236,928	-
5,000	-	Dandot Cement Company Limited	53,460	-
886	-	Habib Bank Limited	149,171	-
2,500	-	Hascol Petroleum Limited	224,281	-
15,000	-	JS Bank Limited	95,114	-
2,000	-	Kohenoortextile Mills Limited	49,730	-
1,000	-	KSB Pump Company Limited	90,514	-
5,000	-	Netsol	161,182	-
21,625	-	NIB Bank Limited	56,013	-
5,000	-	Nimir Industries Limited	120,281	-
5,500	-	Pak Electron Limited	149,633	-
6,000	-	Pakistan Reinsurance Limited	195,687	-
10,000	-	Pakgen Power Company Limited	214,745	-
15,000	-	Power Cement Limited	90,734	-
3,333	-	Summit Bank Limited	7,668	-
4,000	-	Searle Pakistan Limited	840,285	-
500	-	Sitara Peroxide Limited	8,101	-
2,500	-	Sidiquesons Tin Plate	14,226	-
600	-	Tri Pack Films Limited	113,709	-
500	-	Thatta Cement	12,431	-
			10,722,974	6,862,103
		Gain on remeasurement of investments	849,838	1,128,840
			11,572,813	7,990,943



DAWOOD EQUITIES LIMITED

9.3.2 This includes securities with fair value of Rs.9.97 (2013 : Rs.23.458) million pledged with Karachi Stock Exchange Limited against trading.

*2014
Rupees*

9.3.3 **The market value of each listed security is as follows:**

Adamjee Insurance Company Limited	45.77
Arif Habib Corporation Limited	27.84
Askari Commercial Bank Limited	19.01
Attock Petroleum Limited	589.83
Azgard Nine Limited	5.96
Akzo Noble Pakistan Limited	168.96
D.G. Khan Cement Limited	87.96
Dost Steel Limited	4.08
Engro Polymer & Chemical Limited	13.53
Fauji Fertilizer Bin Qasim Limited	39.77
Fauji Fertilizer Company Limited	112.25
Fatima Fertilizer company Limited	24.83
ICI Pakistan Limited	390.34
Kot Addu Power Company Limited	59.04
Maple Leaf Cement Factory Limited	21.93
Lucky Cement Limited	410.30
National Bank Limited	62.23
National Refinery Limited	215.37
Nishat Mills Limited	111.92
Aisha Steel Limited - Preference Shares received as specie dividend	7.04
Lotte Chemical Pakistan Limited	7.19
Bank of Punjab	9.10
Berger Paints Pakistan	59.14
Dawood Hercules Limited	69.79
Dandot Cement Company Limited	9.75
Habib Bank Limited	193.79
Hascol Petroleum Limited	79.14
JS Bank Limited	5.44
Kohenoor Textile Mills Limited	23.74
KSB Pump Company Limited	83.19
Netsol	29.22
NIB Bank Limited	2.23
Nimir Industries Limited	25.07
Pak Electron Limited	26.02
Pakistan Reinsurance Limited	25.91
Pakgen Power Company Limited	18.01
Power Cement Limited	5.60
Summit Bank Limited	3.35
Searle Pakistan Limited	174.54
Sitara Peroxide Limited	13.59
Sidiquesons Tin Plate	7.12
Tri Pack Films Limited	169.54
Thatta Cement	25.54



DAWOOD EQUITIES LIMITED

9.3.4 Units of mutual funds

2014	2013		Note	2014 Rupees	2013 Rupees
---- Number of Units ----					
137,149	129,626	NAFA Government Securities Liquid Fund		1,301,445	1,294,355
1,475	1,243	NAMCO Income Fund		137,600	137,708
				1,439,045	1,432,063
		Gain on remeasurement of units		124,152	6,666
				1,563,197	1,438,728

9.3.5 The market value of each unit of fund is as follows:

NAMCO Income Fund	105.95	110.70
NAFA Government Securities Fund	10.05	10.04

10 TRADE DEBTS

Considered good		30,241,393	14,591,015
Considered doubtful		124,303,327	128,914,060
	10.1	154,544,720	143,505,075
Provision for considered doubtful	10.2	(78,819,691)	(80,111,059)
		75,725,029	63,394,016

10.1 This includes amount of Rs.5.6 million (2013 : Rs.30.730) million receivable from individual related parties of the Company.

	Note	2014 Rupees	2013 Rupees
10.2 Provision for trade debts considered doubtful			
Opening balance		80,111,059	81,573,700
Provision made during the year	25	508,232.00	-
Provision reverse during the year	25	(1,799,600)	(1,462,641)
		78,819,691	80,111,059

11 TRADE DEPOSITS AND SHORT TERM PREPAYMENTS

Trade deposits		6,286,242	761,000
Prepayments		66,855	69,454
		6,353,097	830,454



DAWOOD EQUITIES LIMITED

	Note	2014 Rupees	2013 Rupees
12 OTHER RECEIVABLES			
- Considered good			
Receivable for KSE Office	12.1	12,606,550	-
Receivable from Karachi Stock Exchange Limited		4,826,399	2,009,238
Receivable from NCCPL		518,804	1,281,036
Receivable from Dawood Money Market Fund - related party		1,110,016	960,016
Receivables from Dealers		360,248	360,248
Dividend receivable		1,025	1,025
		19,423,041	4,611,563

This represents amount receivable from KSE in pursuance to agreement dated May 17, 2013 as compensation for old building. The compensation amount is finalized during current year and excess of Rs.4,581,550 is recognise as income.

	Note	2014 Rupees	2013 Rupees
13 TAX REFUNDS DUE FROM GOVERNMENT			
Opening balance		2,961,607	2,944,377
Add: Paid during the period		2,216,099	121,029
		5,177,706	3,065,406
Provision for taxation		(1,064,585)	(103,799)
		4,113,121	2,961,607

14 BANK BALANCES			
Cash in hand		1,745	-
Cash at bank			
Current accounts		3,087,660	1,762,559
Saving accounts	14.1	12,618	16,290
		3,102,023	1,778,849

14.1 Saving accounts carries mark-up at the rate of 6% (2013 : 6%) per annum.

	2014	2013		2014 Rupees	2013 Rupees
15 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL					
Number of Ordinary shares of Rs.10 each					
	24,996,500	24,996,500	Fully paid in cash	249,965,000	249,965,000

16 RESERVES
- Capital reserve

Share premium is capital reserve and is held for utilization of purposes as stated in section 83 of the Companies Ordinance, 1984.



	Note	2014 Rupees	2013 Rupees
17 TRADE AND OTHER PAYABLES			
Trade creditors	17.1	39,135,582	17,094,745
Accrued expenses		1,211,377	3,662,699
Withholding tax payable		691,004	1,070,638
		41,037,963	21,828,082

17.1 This includes amount of Rs.0.039 (2013 : Rs.2.232) million payable to related parties of the Company.

18 CONTINGENCIES AND COMMITMENTS

18.1 The Company has filed a suit in the Honorable Sindh High Court Karachi against one of its corporate client against recovery of Rs.75.436 million and proceedings are in process. Currently negotiations outside court is in process and therefore no further provision during current year has been made and management believes that provision of Rs. 28.672 million as already made is sufficient.

18.2 Compromise decree has been passed by the Honorable High Court of Sindh regarding fully provided balance of Mr.Abbas Qurban of Rs. 30.33 million. The amount of Rs. 1.6 million is recovered through Provident Fund balance of Mr. Abbas Qurban with the First Dawood Investment Bank Limited. The remaining balance will be receivable in equal monthly installment of Rs.15,000 per month until fully recovered. The provision will be reversed in the similar pattern as recovery occurs.

18.3 Commitment against unrecorded transactions executed before year end having settlement date subsequent to year end :-

		2014 Rupees	2013 Rupees
For purchase of shares		-	34,847,069
For sale of shares		-	35,056,620
		2014	2013
	<i>Note</i>	<i>Rupees</i>	<i>Rupees</i>
19 OPERATING REVENUE			
Brokerage commission	19.1	10,940,873	6,382,924
Custody / Laga / NCSS Fees		1,527,494	943,103
Dividend income		1,099,154	397,299
		13,567,521	7,723,326



	2014	2013
19.1 Brokerage commission		
Gross commission	27,392,354	23,833,311
Sales tax/ Federal excise duty	(3,529,255)	(3,244,420)
	23,863,099	20,588,891
Commission to agents and dealers	(12,922,226)	(14,205,967)
	10,940,873	6,382,924
20 CAPITAL GAIN / (LOSS) ON INVESTMENTS - NET		
Investments in others	347,496	1,757,630
21 GAIN / (LOSS) ON REMEASUREMENT OF INVESTMENTS CARRIED AT FAIR VALUE THROUGH PROFIT AND LOSS		
Related parties	(920,853)	1,290,924
Others	849,838	1,128,840
Units of open end mutual funds	124,152	6,666
	53,137	2,426,430
22 ADMINISTRATIVE EXPENSES		
Salaries and other benefits	3,847,831	2,576,484
Rent, rates & taxes	540,136	1,517,560
Repairs and maintenance	615,730	384,556
Utilities	525,360	410,087
Fees and subscription	718,295	641,803
Regulatory charges (CDC, KSE, SECP)	1,128,174	861,513
Brokerage expenses	1,094,337	-
Printing and stationery	271,933	211,543
Legal and professional fees	689,733	75,000
Traveling and conveyance	17,305	17,471
Entertainment	94,927	104,483
Depreciation	4 148,034	73,793
Amortization	5 260,000	290,000
Miscellaneous expenses	66,111	58,062
	10,017,906	7,222,355
	<i>2014</i>	<i>2013</i>
	<i>Rupees</i>	<i>Rupees</i>
23 FINANCIAL CHARGES		
Bank charges	74,871	54,591



24 OTHER OPERATING INCOME

From financial assets

Profit on bank accounts	570,471	567,810
Reversal of Provision for bad debts	1,799,600	1,462,641

From non financial assets

Gain on KSE office	4,581,550	-
Gain on sale of fixed assets	284,933	-
Miscellaneous income	1,854,815	1,300
	6,721,298	1,300
	9,091,369	2,031,751

25 OTHER OPERATING CHARGES

Provision for bad debts	10.2	508,232	-
Accrued income write-off	10.2	-	1,241,423
Auditors' remuneration	25.1	463,600	435,500
		971,832	1,676,923

25.1 Auditors' remuneration

Statutory audit	310,000	300,000
Half yearly review	50,000	35,000
Certifications and other services	100,000	100,500
System audit	3,600	-
	463,600	435,500

26 TAXATION

Current	26.1	1,064,585	103,799
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26.1 Income Tax assessment of the Company has been finalized for the tax year 2013. However the Commissioner of Income Tax may at any time during a period of five years from the date of filing of return may select the deemed assessment for audit.

26.2 Since the Company is not liable to pay any current tax because of tax losses for the prior financial years, therefore, no numerical tax reconciliation has been given. Current year tax charge is the alternate corporate tax as per section 113(c) of the Income Tax Ordinance, 2001.

<i>2014</i>	<i>2013</i>
<i>Rupees</i>	<i>Rupees</i>

EARNING PER SHARE

27 Profit after taxation	10,930,329	4,881,469
Weighted average number of ordinary shares	24,996,500	24,996,500



DAWOOD EQUITIES LIMITED

Weighted average number of ordinary shares	24,996,500	24,996,500
Income per share - basic	0.44	0.20

Diluted earning per share has not been presented as the company did not have any convertible instruments.

2014	2013
Rupees	Rupees

28 FINANCIAL INSTRUMENTS BY CATEGORY

FINANCIAL ASSETS

Investment at fair value through profit or loss

Long term investment	40,073,830	36,336,182
Short term investments	14,665,491	11,677,302
	54,739,321	48,013,484

Available for sale investments

Short term investment	38,195,000	38,205,000
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Loans and receivables

Long term deposits	1,137,500	1,137,500
Trade debts	154,544,720	143,505,075
Trade deposits	6,286,242	761,000
Loan to staff	-	5,000
Other receivable	19,062,793	4,251,315
Cash and bank balances	3,102,023	1,778,849
	184,133,279	151,438,739
	277,067,599	237,657,223

FINANCIAL LIABILITIES

At fair value through profit or loss

Trade and other payables	41,037,963	21,828,082
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29 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management focuses on the unpredictability of financial markets and seeks potential adverse effects on the Company's financial performance.

Risk managed and measured by the Company are explained below: -

- a) Credit Risk
- b) Liquidity Risk
- c) Market Risk

The Board of Directors has overall responsibility for the establishment and oversight of Company's risk management framework. The Board is also responsible for developing and monitoring the Company's risk management policies.

- a) *Credit Risk*



DAWOOD EQUITIES LIMITED

Weighted average number of ordinary shares	24,996,500	24,996,500
Income per share - basic	0.44	0.20

Diluted earning per share has not been presented as the company did not have any convertible instruments.

2014
Rupees **2013**
Rupees

28 FINANCIAL INSTRUMENTS BY CATEGORY

FINANCIAL ASSETS

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	277,067,599	237,657,223

FINANCIAL LIABILITIES

At fair value through profit or loss

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29 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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- c) Market Risk

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- a) **Credit Risk**



DAWOOD EQUITIES LIMITED

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss, without taking into account the fair value of any collateral. Credit risk arises from the inability of the issuers of the instruments, the relevant financial institutions or counter parties in case of placements or other arrangements to fulfill their obligations. There is a possibility of default by participants and of failure of the financial markets, the depositories, the settlements or clearing system etc.

Exposure to credit risk

Credit risk of the Company arises principally from long term and short term investments, trade debts, loan and advances, accrued income, deposits, other receivables and bank balances. The carrying amount of financial assets represents the maximum credit exposure. To reduce the exposure to credit risk, the Company has developed its own risk management policies and guidelines whereby clients are provided trading limits according to their worth and proper margins are collected and maintained from the clients. The management continuously monitors the credit exposure towards the clients and makes provision against those balances considered doubtful of recovery.

Out of the total financial assets of Rs.277.067 million (2013 : Rs.237.657 million) the financial assets which are subject to credit risk amounted to Rs.277.067 million (2013 : Rs.237.657 million).

All investing transactions are settled / paid for upon delivery as per the advice of investment committee. The company's policy is to enter into financial instrument contract by following internal guidelines such as approving counter parties and approving credits.

As of June 30, 2014, trade debts of Rs.124.303 million (2013 : Rs.131.296 million) are overdue for more than 360 days. Based on the past experience, consideration of financial position, past track records and recoveries, provision of Rs.580,232 has been made during the year. Impairment allowance by way of provision for doubtful debts of Rs.1.799 million is reversed during the year as the company has recovered its overdue balance from some customers.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to the credit risk at the reporting date is: -

	2014	2013
	Rupees	Rupees
Long term deposits	1,137,500	1,137,500
Investments- long term and short term	92,934,321	86,218,484
Trade debts	154,544,720	143,505,075
Loan to staff	-	5,000
Deposits	6,286,242	761,000
Other receivables	19,062,793	4,251,315
Bank balances	3,102,023	1,778,849
	<u>277,067,600</u>	<u>237,657,223</u>

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause The maximum exposure to credit risk for trade debts at balance sheet date amounting to Rs.121.768 (2013 : Rs.121.768) million.

Provision for impairment losses

The aging of trade debts as at balance sheet is summarized below: -



DAWOOD EQUITIES LIMITED

	2014		2013	
	Gross	Impairment	Gross	Impairment
----- Rupees -----				
Past due 1-30 days	21,480,355		9,331,112	-
Past due 31 days -90 days	3,847,137		3,206,536	-
Past due 90 days -1 year	4,913,901		2,053,427	-
More than one year	124,348,515	(78,356,459)	128,914,000	(80,111,059)
Total	154,589,908	(78,356,459)	143,505,075	(80,111,059)

Credit risk of the Company arises principally from long term and short term investments, trade debts, loan and advances, accrued income, deposits, other receivables and bank balances. The carrying amount of financial assets represents the maximum credit exposure. To reduce the exposure to credit risk, the Company has Based on past experience, consideration of financial position, past track records and recoveries, the Company believes that trade debts past due upto one year do not require any provision. The Company considers Rs.52.340 million (2013 : Rs.48.802 million) as recoverable out of total over due trade debts by more than one year

Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Company's total credit exposure. The Company's portfolio of financial instruments is broadly diversified and transactions are entered into with diverse credit-worthy counterparties thereby mitigating any significant concentrations of credit risk.

b) Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier than expected or difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding to an adequate amount of committed credit facilities and the ability to close out market positions due to the dynamic nature of the business. The Company's treasury aims at maintaining flexibility in funding by keeping committed credit lines available.

The following are the contractual maturities of financial liabilities, including estimated interest payments: -

	2014			
	Carrying Amount	Contractual Cash flows	Less than one year	More than one year
----- Rupees -----				
Financial Liabilities				
Trade and other payables	41,037,963	41,037,963	41,037,963	-



DAWOOD EQUITIES LIMITED

2013			
Carrying Amount	Contractual Cash flows	Less than one year	More than one year
----- Rupees -----			

Financial Liabilities

Trade and other payables	21,828,082	21,828,082	21,828,082	-
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Credit risk of the Company arises principally from long term and short term investments, trade debts, loan and advances, accrued income, deposits, other receivables and bank balances. The carrying amount of financial assets represents the maximum credit exposure. To reduce the exposure to credit risk, the Company has Based on past experience, consideration of financial position, past track records and recoveries, the Company believes that trade debts past due upto one year do not require any provision. The Company considers Rs.52.340 million (2013 : Rs.48.802 million) as recoverable out of total over due trade debts by more than one year

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The following are the contractual maturities of financial liabilities, including estimated interest payments: -

c) Market Risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates or the market price due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market. The Company manages market risk by monitoring exposure on marketable securities by following the internal risk management and investment policies and guidelines. Market risk comprises of three types of risk: currency risk, interest rate risk and other price risk.

Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. At year end, the Company is not exposed to any currency risk.

Interest Rate Risk

Interest rate risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

At the balance sheet date the interest rate profile of the Company's interest-bearing financial instruments was as follows: -



2014 2013
Effective Interest Rate
(In Percent)

Financial instruments

Fixed Rate Instruments		
Bank balance - PLS account	6%	6%

Sensitivity analysis for fixed rate instruments

As the rate is fixed therefore sensitivity analysis is not applicable.

Price Risk

Price risk is the risk that the fair value of future cash flows from a financial instrument will fluctuate due to changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

- Sensitivity analysis

At reporting date, if the market prices of each security held by the Company as short term investment had increased / decreased by Rupee 1 with all other variables remain constant, pre tax profit would have been higher / lower by the amount shown below. The analysis is performed on same basis for 2013.

	2014	2013
	Rupees	Rupees
Effect on profit		
Increase / Decrease	1,193,081	1,068,137

Capital risk management

Sensitivity analysis for fixed rate instruments

The Company's objective when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The company finances its operations through equity and by managing working capital.

The Company does not obtained any financing facility and working with 100% equity financing, therefore, no gearing is identified.

d) Fair Value of Financial Instruments

The carrying values of the financial assets and financial liabilities approximate their fair values. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in arm's length transaction.

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows: -

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.



DAWOOD EQUITIES LIMITED

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable).

	Level 1	Level 2	Level 3
	----- Rupees -----		
June 30, 2014			
Investments at fair value through Profit and loss			
- related parties	1,327,133	-	-
- others	11,775,161	1,563,197	-
Available for sale investments - related party	-	-	38,195,000
June 30, 2013			
Investments at fair value through Profit and loss			
- related parties	2,247,631	-	-
- others	7,990,943	1,438,728	-
Available for sale investments - related party	-	-	38,205,000

30 RELATED PARTY TRANSACTIONS

Related parties comprises member companies, directors, key management personnel of member companies and various other related parties that has an interest in the Company that gives it significant influence over the Company. Details of transactions with related parties during the year are as follows:

	2014 Rupees	2013 Rupees
"Commission earned from brokerage transactions with member companies and key management personnel of member companies"	1,381,539	1,048,880
Expenses paid / payable to member companies	132,000	122,000

Year end balances are mentioned in relevant notes.

The above transactions are at arm's length basis on commercial terms and conditions.

31 REMUNERATION TO CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

The directors of the Company have not drawn any remuneration during the current financial year.

None of the employees fall under the category of executives as defined in Companies Ordinance, 1984.

32 OPERATING SEGMENT

These financial statements have been prepared on the basis of a single reportable segment which is consistent with the internal reporting used by the chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments.

The internal reporting provided to the chief operating decision-maker relating to the Company's assets, liabilities and performance is prepared on a consistent basis with the measurement and recognition principles of approved accounting standards as applicable in Pakistan. There were no change in the reportable segments during the year.



DAWOOD EQUITIES LIMITED

The Company is domiciled in Pakistan. The Company's revenue is generated from shares brokerage, portfolio management, investment advisory, consultancy and underwriting services.

All non-current assets of the Company are located in Pakistan. **2014** 2013

33 NUMBER OF EMPLOYEES

Number of employees as at year end and average for the year 9 9

34 DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been authorized for issue by the Board of Directors of the Company on 24 September, 2014.

Chief Executive

Director



DAWOOD EQUITIES LIMITED

Proxy From

I/We, _____

of _____

Dawood Equities Limited appoint Mr./Mrs./Ms. _____

_____ of _____

as my proxy to vote for me/us and on my / our behalf at the Annual General Meeting to be held on 30th day of October, 2014 at 8.30 a.m. and at any adjournment thereof.

As witnessed under my/our hand this _____ day of _____ 2014 _____

Signed by _____

Signature and address of the witness

Signature and address of the witness

Please affix
revenue
stamp

Signature of member



Affix
Correct
Postage

The Company Secretary
Dawood EQUITIES LIMITED
1900-B, Saima Trade Tower
I.I Chundrigger Road Karachi.
Phone: 021-32275200
Fax :021-32275086
Cell :0334-2066662



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